



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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Lieutenant Governor

July 11, 2005

7/12/05
- Susan - good review
and analysis by you
+ Paul. Draft a letter
back to them for Susan's signature
Also suggest having both review -
see #5.
MM

TO: Mary Ann Wright, Associate Director of Mining

FROM: Susan M. White, Mining Program Coordinator *SMW*

SUBJECT: Collateral Bonding Proposal; Moab Salt, LLC; Cane Creek Mine;
M/019/005; Grand County, Utah

Moab Salt is proposing to change the current reclamation surety bond of \$6.2 million to a collateral form of surety in the same amount. The collateral proposed is \$4.5 million in land and \$2.2 million in securities. The Division commented on a previous somewhat similar proposal in a letter dated February 3, 2005.

Below are additional comments to Paul Baker's memo dated June 7, 2005, regarding the collateral bonding proposal.

ok 1. The OSM bonding workbook margin of value suggests applying a 25% reduction in value as a factor in the real estate appraisal.

*request them
to clarify
this* 2. I assume that the property was not valued with the mineral rights. Intrepid has applied to OGM for an APD on their property adjacent to the mine. How will oil or gas development on the surface affect the appraisal of the property?

*- audit of
No. Property
- cannot
accept go.
Property
agree* 3. Real property has many risks for the Division. Utah had a forfeiture in which the bankruptcy court considered the property an asset to be pooled with all other assets. As property owner after foreclosure, EPA could consider the Division as a "responsible party." An environmental audit should be conducted. The OSM bonding workbook describes many other risks and hidden costs to using real property as collateral.

4. The Division should not accept land with mining related disturbance in the appraisal of real estate.

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Moab Salt Bond Memo
M/019/005
July 11, 2005

*ask Bob to
evaluate,*

5. The Division needs some type of protection against the falling value of the professionally managed reclamation fund that consists of a wide spectrum of investments. This protection could be a factor such as a margin of value in the range of 25% of the funds value.

agree

6. The operator proposes to submit periodic documentation to the Division of funds spent on reclamation for Division release. The Division can only give a bond release when discrete portions of work are completed on the ground. The remaining reclamation should then be reevaluated to determine the cost of completion prior to any surety release.

Recommendation

Prior to proceeding further with the proposal, the operator should remove the disturbed area from the real estate proposal. Using a 25% margin of value the operator will need to provide approximately an additional \$1.5 million in collateral.

SMW:jb
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